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UNCLAS SECTION 01 OF 02 BRATISLAVA 000438

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SUBJECT: CAMPAIGN ISSUE: HEALTH CARE REFORM - EVERYONE HATES IT

REF: A. A) BRATISLAVA 00302

¶B. B) BRATISLAVA 00323

¶1. Summary. Health care reform is widely perceived by Slovaks as the Dzurinda government's biggest achilles heel. Privatization has not yet brought about a noticeable improvement in services, investment in health services remains low, and new private insurance schemes are increasingly unpopular with both doctors and patients. Several opposition parties have identified health care as a primary campaign issue, especially front-running Smer, which would like to abolish most of the health care reforms that the GOS has carried out in the past few years. Other political parties have taken more moderate positions, but all have separated themselves from SDKU in order to gain public support. SDKU, for its part, has sent out signs that it too might alter course in the next four years. End Summary.

What Went Wrong

¶2. Health care reform is one of the major reasons why a government so widely praised by outside observers has such a low approval rating. Opposition is widespread: in a May 2006 poll, 3 percent of all Slovaks approved of GOS health care reforms, 22 percent viewed reforms as a good idea that needs further adjustment, and 72 percent viewed them negatively. Even when the poll is broken down by party lines, the majority of voters in every party disapprove of the GOS health care reforms. (Tax, pension, and other reforms are viewed more positively). Doctors, nurses, and health care workers have been especially critical, staging a series of brief strikes throughout the year in a labor dispute that resulted in the government quietly acquiescing to most of their 25% wage increase demand (see reftel A). Polls suggest that the general public tended to support or at least tolerate the strikes, despite the interruption of health care services.

¶3. The GOS authorized health care reforms in 2003 that aimed to replace the state-run health care system with a market-oriented system that would increase transparency of payments for services, consolidate the number of hospitals, and attract investment to transform the remaining hospitals into modern world-class facilities. To this effect, small user fees for services (USD 0.70 per visit, USD 1.65 per prescription) were established, private insurers were allowed into the market, and privatization of hospitals is being phased in over 2005-2006. Some of these reforms have born fruit. Private and public insurance companies have forced doctors to be much more responsible with services and fees charged (especially prescription drugs), public procurement practices have improved, closing of inefficient hospitals has started, and many redundant employees have been laid off.

¶4. While hospital management is more efficient, voters do not see how this will improve services or lower costs -- or,

as one analyst asked, "efficiency for whom?" User fees are minuscule and largely symbolic, but have become a political football since services remain essentially unchanged. Private insurance has come to be dominated by the investment group Penta, which now owns essentially all private health insurance in Slovakia and about 25% of the overall health insurance market. Private insurance has improved accountability of health services, but it has also introduced increased paperwork that frustrates both doctors and patients, leaving the impression of a system that is actually more bureaucratic than its predecessor. Finally, privatization of hospitals has been a messy, drawn-out affair, in which facilities are converted into joint-stock or limited liability companies and then sold, often to finance companies and real estate developers such as J&T Associates and Penta. Emboff conversations with the J&T developer who operates a Bratislava-area hospital left a clear impression that the company's main interest will be to repackage hospital assets for re-sale; only one of the four hospitals owned by J&T will attract significant new investment. In time, further investment, modernization, and improved services should come, but for now the basic picture in the eyes of most voters is a new system where connected interests prevail over those of the average family.

Taking Advantage

¶5. SDKU's rivals have been quick to take notice. Smer has been most visible, with Robert Fico criticizing the government's health care priorities as evidence of "putting a right-wing agenda ahead of people." Meanwhile, Smer 'shadow Minister of Health' Pavol Paska and its think tank ASA have coordinated with doctors' associations to establish a health care platform that is unusually detailed for Smer. Paska is

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a close confidante of Fico, and his involvement on the issue is an indication that the Ministry of Health is one of Smer's top priorities if it becomes part of the next ruling coalition. Smer's basic platform is as follows: eliminate user fees for health services, re-establish public health insurance for all, use EU funds to increase the percentage of GDP dedicated to health care from 5.1 percent to 7.0 percent, with funds used to rehabilitate hospitals, among other priorities. (Slovakia spends the lowest percentage of GDP on health care in the European Union.) This program would constitute a rollback but not a complete reversal of GOS health care reforms -- private health insurance would still be available and Smer officials have admitted off the record that around 20 percent of Slovakia's under-utilized hospitals would still have to be shut down.

¶6. Other parties hold policy positions somewhere between Smer and SDKU, with promises of reduced fees and increased public investment in health care, but muted language on privatization of insurance and hospitals. After all, most if not all parties receive money from developers such as Penta and J&T Associates. KDH, a former ruling coalition member, has called for reducing user fees to USD 0.17, and for a parliamentary vote on whether to re-establish full state-run health insurance for all. Parties as distinct as the Hungarian SMK party and the nationalist SNS party have called for raising health care expenditures to at least 7.0 percent of GDP and providing free medications for all. Vladimir Meciar's HZDS has called for free medications for the young and the old, but supports the other basic reforms. Zuzana Martinakova of Slobodne Forum recently criticized the government for "providing tax breaks to Kia instead of vitamins for our children," even though, ironically, her party's health care platform most closely resembles that of SDKU.

¶7. SDKU essentially supports its health care reform, of course, but Prime Minister Dzurinda has defended health care

reform less vigorously than his other reforms, and has said on the campaign trail that the reform needs fixing. SDKU has taken this stance largely because Minister of Health Rudolf Zajac comes from the ANO party, a former coalition partner that was expelled last year. The potential consequences of this distancing were seen in the recent debate over legislation protecting the intellectual property rights of pharmaceutical manufacturers vis-a-vis generic producers. When President Ivan Gasparovic vetoed the IPR protection legislation passed in parliament, Minister Zajac strongly opposed this action but the Prime Minister's office signaled that it would not use any of its political capital to overturn the veto (see reftel B). The veto was overturned in the end with SDKU votes, but without SDKU leadership.

Outlook

18. Health care will continue to be an issue on which every political party has a free pass to criticize the government and propose new policy initiatives that mark a significant philosophical departure from current reforms. In that sense, health care is very different than tax reform and almost every other political-economic issue in this campaign. In turn, after the election, health care will be one of the few issues where a new ruling coalition will feel that it has a mandate to significantly alter the direction of public policy in Slovakia. Smer clearly feels that health care is a winner for them, though its weak advocacy campaign on the issue begs the question of whether the party can capitalize on voter discontent.

VALLEE